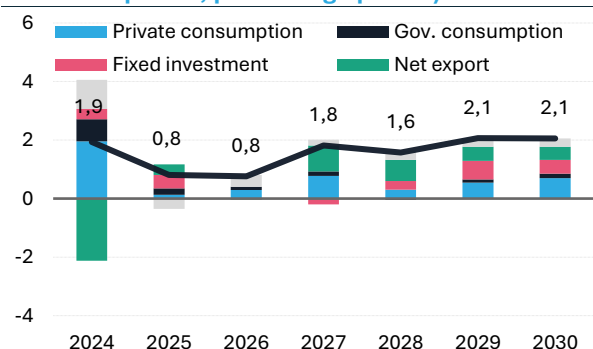


The conflict in the Middle East has escalated again following a temporary lull, pushing global oil prices close to their 2022 levels. The Slovak economy is therefore expected to repeat last year's performance, with GDP growing by 0.8% in 2026. From 2027 onwards, we expect a gradual recovery in domestic consumption and external demand, with GDP growth accelerating to 1.8%. Exports will also benefit from the start of production at the Volvo car plant, helping to offset the decline in funding from the Recovery and Resilience Plan (RRP). Despite higher oil and gas prices, consumer price inflation is expected to moderate to 2.9% next year, as regulated energy prices will still be based on lower global prices prevailing before the conflict. Households will therefore only feel the impact of higher energy prices from 2028 onwards, slightly dampening GDP growth. Employment is expected to stagnate throughout the forecast horizon, partly due to adverse demographic developments, while real wages will continue to grow moderately. From 2029 onwards, the economy will benefit from the absorption of remaining EU funds, pushing GDP growth above 2%. The escalation of the conflict in the Middle East has increased uncertainty surrounding the forecast in both directions. However, a prolonged period of elevated energy prices would represent a downside risk to the outlook.

Slovakia's GDP is projected to grow by 0.8% in 2026. Economic activity will be weighed down by the conflict in the Middle East, associated increases in energy prices and mounting pressures on supply chains. Fiscal consolidation will constrain real income growth and household consumption. Higher public investment driven by the final absorption of RRP funds will be offset by a decline in private investment, particularly household investment in housing. Export growth will gradually gain momentum, although its more significant contribution to economic activity is expected to materialise only next year.

GDP growth is expected to accelerate to 1.8% in 2027. As the investment stimulus from the RRP fades, gradually recovering private investment and exports will become the main drivers of growth. Exports will be supported primarily by the ramp-up of production at the Volvo car plant, which will also help strengthen Slovakia's position in international markets. The continuation of household energy support measures will limit increases in household energy prices, thereby helping to ease inflation. Lower price pressures will support real income growth and a gradual recovery in household consumption. The revision of fiscal targets and the absence of further consolidation measures in 2027 will ease the restrictive impact of fiscal policy on the economy and support GDP growth.

Chart 1: The Slovak economy will gradually gain momentum (contributions to GDP growth, constant prices, percentage points)



Source: SO SR, IFP

Chart 2: The conflict in the Middle East has pushed up oil prices (USD per barrel)



Source: Bloomberg, IFP

The economy is projected to grow by 1.6% in 2028, with GDP growth slightly exceeding 2% by the end of the forecast horizon. Renewed fiscal consolidation will weigh on economic activity in 2028. In 2029 and 2030, economic activity will be supported by the absorption of EU funds, as successive programming periods begin to overlap and the utilisation of resources from the Modernisation Fund reaches its peak. Exports will benefit from stabilising external demand and expanded production capacity in the automotive industry, although growth will be dampened by intensifying competition from China. Employment will gradually decline due to adverse demographic developments, which will only be partially offset by the growing number of foreign workers. The forecast also incorporates a technical assumption of continued fiscal consolidation, with the general government deficit projected to remain close to 3.5% of GDP at the end of the forecast horizon.

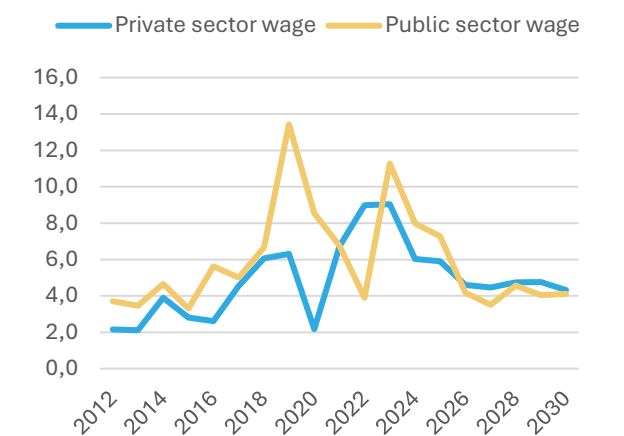
Risks to the forecast are balanced. Persistently elevated energy prices could dampen real economic activity and impose additional costs on public finances. Although higher prices boost government revenues, public expenditure items directly indexed to inflation tend to increase more rapidly. Uncertainty in the external environment stemming from military conflicts and trade barriers could delay the recovery in exports and weaken economic growth. Conversely, a swift resolution of the conflict in the Middle East would lead to lower energy prices, lower interest rates and reduced fiscal costs. Finally, economic momentum in Germany could prove stronger than currently anticipated in the forecast.

Employment is expected to stagnate this year. Looking at its composition, the number of employees continues to rise significantly, particularly in services, construction and the public sector. Employee numbers are projected to increase by 0.6% this year, marking the strongest growth since 2022. However, this increase is almost entirely offset by a continued decline in the number of self-employed workers, reflecting higher health and social insurance contributions as well as the introduction of a minimum contribution requirement for certain low-income self-employed individuals. Although the number of collective redundancies being implemented is rising, their actual impact on inflows into unemployment remains very limited so far. Nevertheless, the number of unemployed people will increase more than last year, with the unemployment rate returning to its level of three years ago.

Faster economic growth next year will translate into a modest recovery in the labour market. Accelerating external and domestic demand will boost employment by 0.1%. Over the coming years, the labour market will increasingly be constrained by adverse demographic developments, which will further reduce labour availability, as well as by fiscal consolidation. The decline in labour supply will continue to be mitigated by rising labour force participation among the

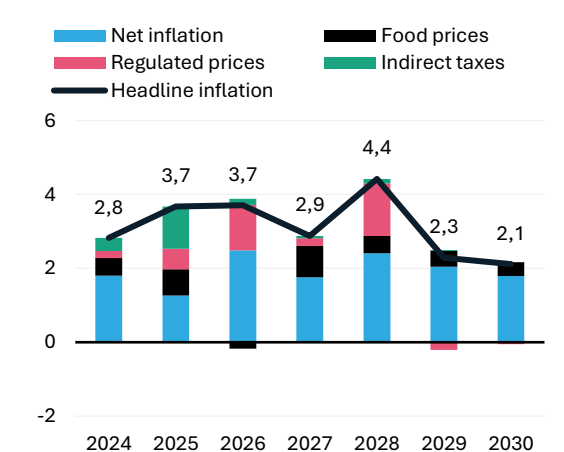
domestic population and an inflow of foreign workers, whose number approached 150,000 in July this year. The unemployment rate is not expected to fall below 5.4% over the forecast horizon.

Chart 3: Public sector wages will grow more slowly than private sector wages due to fiscal consolidation (%)



Source: SO SR, IFP

Chart 4: Regulated prices will shape inflation (contributions to inflation, percentage points)



Source: SO SR, IFP

Wages will maintain solid growth this year, although their dynamics are partly distorted by a high comparison base from last year. Average nominal wages are projected to increase by 4.5%, with year-on-year growth significantly affected by last year's one-off EUR 800 bonus in the public sector. Excluding this effect, wage growth would be close to 5%. In the coming years, nominal wage growth is expected to stabilise slightly above 4%. Labour shortages will continue to exert upward pressure on wages. However, wage growth will be constrained by slower productivity growth and government consolidation measures. Public sector wage increases will remain more restricted by the need for fiscal consolidation, while private sector earnings will grow somewhat faster. Real wages are expected to increase by 0.8% this year, with growth accelerating to 1.4% in 2027. However, real wage growth will almost come to a halt in 2028, as the ongoing effects of fiscal consolidation will be compounded by rising energy prices, adding to inflationary pressures and eroding household purchasing power. By the end of the forecast horizon, real wage growth is expected to approach 2% again.

Consumer prices will increase by 3.7% in 2026. The disinflationary trend continues, driven mainly by falling food prices and slowing services price inflation. In contrast, the phasing out of heating subsidies and the return of heating prices to market levels have exerted upward pressure on inflation, alongside higher fuel prices resulting from the conflict in the Middle East. Towards the end of the year, we expect food prices to start rising again due to higher prices of energy and other commodities, including fertilisers.

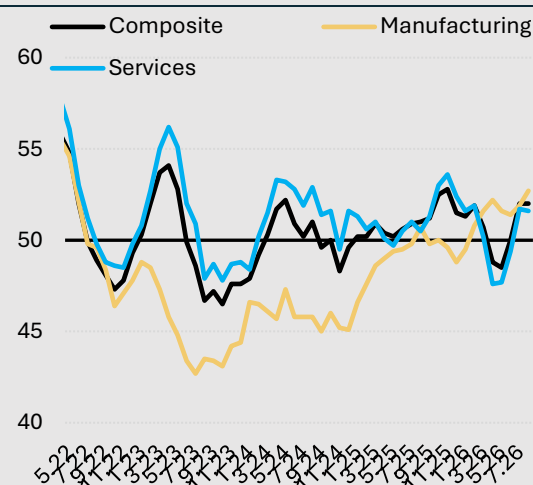
Inflation is expected to decline to 2.9% in 2027. We assume that the targeted household energy support scheme will remain in place next year. The conflict in the Middle East has driven up energy commodity prices, including oil, natural gas and electricity. However, due to the regulatory framework administered by the Slovak Regulatory Office for Network Industries (ÚRSO), these increases will only be reflected in consumer prices in 2028. We also expect subsidised energy prices to return to market levels in that year, followed by a subsequent decline in line with current energy futures prices. Inflation developments will also be affected by the postponement of the introduction of the ETS2 emissions trading system until 2028. As a result, electricity and gas prices are projected to increase by 20% and 30%, respectively, for the 90% of households

currently covered by the energy support scheme. We forecast that food and tradable goods price inflation will gradually return to the average rates observed before the pandemic. Services prices will rise more rapidly, but overall inflation over the medium-term horizon will be dampened by fiscal consolidation.

Box 1: External Environment Assumptions

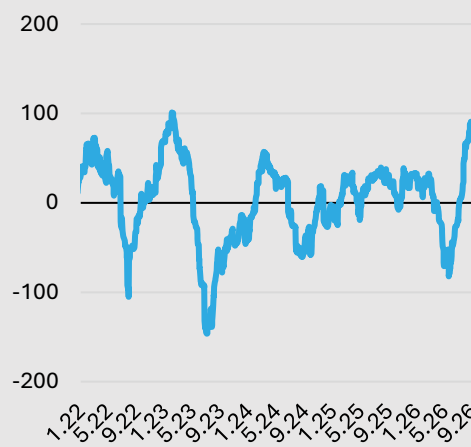
The external environment continues to be characterised by heightened uncertainty. The escalation of the conflict in the Middle East at the beginning of the year delivered an unexpected shock to the global economy. The shock was initially expected to lead to a prolonged increase in energy prices and higher global inflation. However, a coordinated response by countries involving the release of strategic fuel reserves, together with weaker demand in China, ensured that the price shock was considerably smaller than initially anticipated. As a result, the economies of Slovakia's trading partners performed significantly better in the second quarter than originally expected. The euro area itself also surprised on the upside, with year-on-year GDP growth of 1.3% in the second quarter bringing GDP growth closer to its potential, similarly to Germany, where GDP growth was 0.2 percentage points lower. However, the renewed escalation of the conflict and the associated sharp movements in bond and commodity markets at the turn of August and September threaten to undermine the current positive momentum.

Chart A: The euro area maintained solid momentum... (Euro area Purchasing Managers' Index, points; values above 50 indicate expansion)



Source: Bloomberg, IFP

Chart D: ...and delivered positive surprises despite the shocks (Economic Surprise Index, points; positive values indicate a predominance of positive surprises)

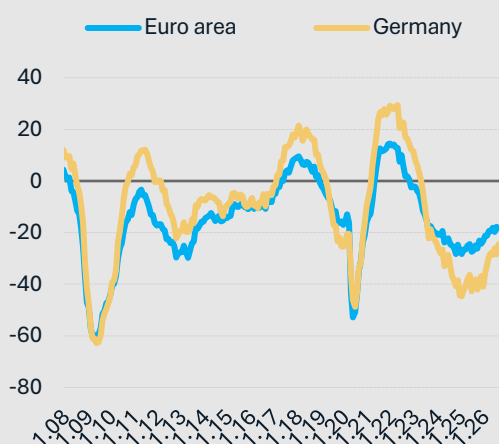


Source: Macrobond, IFP

EU economies are showing positive momentum. Following years of economic shocks and persistent geopolitical instability, economies are adapting to the new reality. The euro area continues to demonstrate resilience, with high-frequency indicators pointing to sustained solid economic activity in the third quarter. A similar trend can be observed in Germany, where the economy surpassed its 2022 peak in the second quarter following years of stagnation. Slovakia's most important trading partner is thus experiencing a long-awaited recovery. Government spending is a major driver of growth. The previously subdued industrial sector has stopped weighing on the German economy, while a recovery in foreign trade has also contributed to growth. However, conditions in the key automotive industry remain challenging,

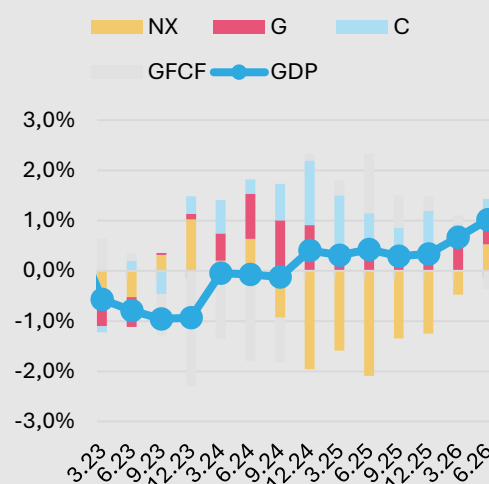
particularly in export markets outside Europe, where trade barriers and persistent competition from China continue to weigh on performance. By contrast, the European single market is showing signs of recovery. Slovakia's V3 trading partners are also maintaining strong momentum, with the Hungarian economy gaining traction again after a period of stagnation.

Chart E: Industrial orders are gradually recovering... (industrial orders, points)



Source: EK, IFP

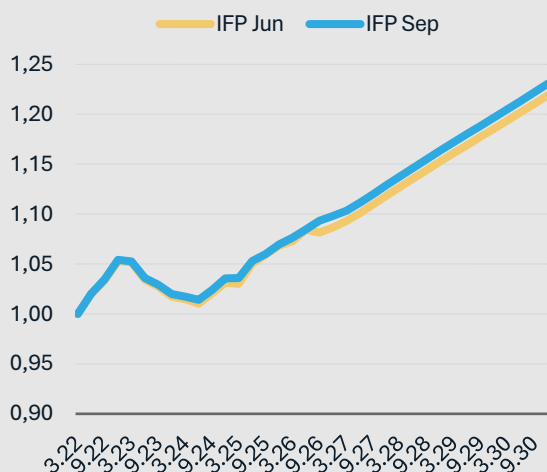
Chart F: ...alongside the German economy (year-on-year real GDP growth in Germany, %, and contributions to growth, percentage points)



Source: Eurostat, IFP

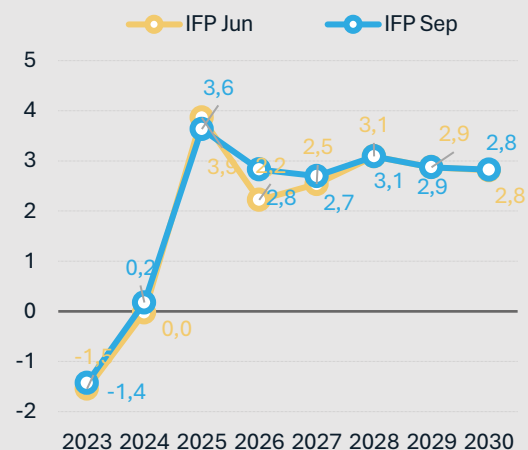
External demand is returning to normal levels. As the economies of Slovakia's trading partners return to their potential growth rates, the outlook for weighted external demand is also converging towards more typical levels, averaging 2.9% over the coming years. Energy prices remain a significant risk, having returned to elevated levels comparable to those observed at the outbreak of the conflict in the Middle East at the forecast cut-off date. Persistently high energy prices could lead to a tighter monetary policy stance than currently anticipated. A potential inflationary shock would also affect both domestic and foreign consumers, weighing on real economic activity. Geopolitical uncertainty, together with increasing fragmentation and a growing tendency towards trade barriers in international commerce, could adversely affect economic developments in the coming years.

Chart G: External demand surprised on the upside in the second quarter... (weighted external demand index)



Source: IFP

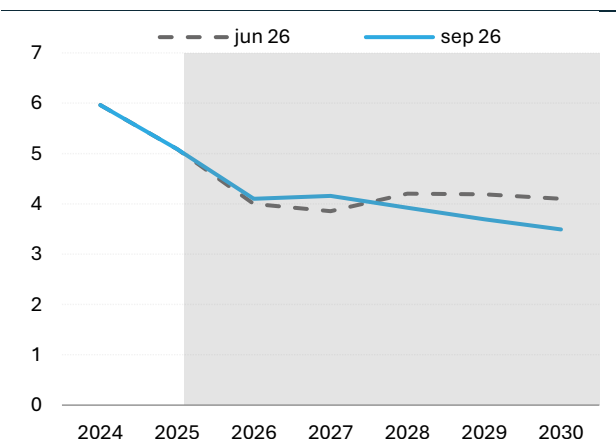
Chart H: ...while conditions among Slovakia's trading partners are expected to normalise (year-on-year growth in weighted external demand, %)



Source: IFP

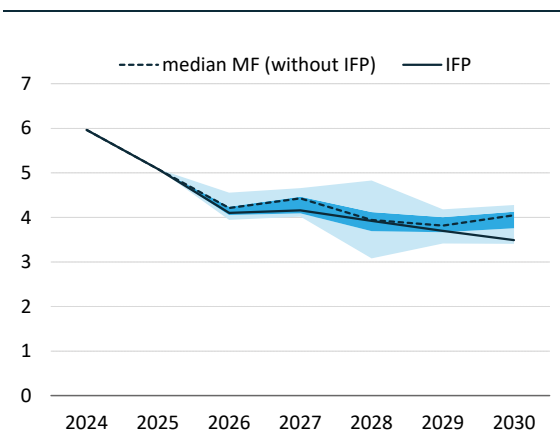
The updated macroeconomic forecast of the Ministry of Finance of the Slovak Republic was discussed by the Macroeconomic Forecasting Committee on 15 September 2026. **The forecast was assessed as realistic by the majority of Committee members** (NBS, RRZ, Infostat, UniCredit, VÚB, SLSP, TB and SAV). ČSOB assessed the forecast as optimistic. The updated forecast, together with the minutes of the Macroeconomic Forecasting Committee meeting and supporting materials, is available on the IFP website.

Chart 5: Macroeconomic tax bases compared with the previous forecast (growth, %)



Source: IFP

Graf 6: Comitee forecasts of weighted tax bases¹ (growth in %)



Source: IFP

Box 2: Balanced Budget Scenario

Under the rules of the Constitutional Act on Budgetary Responsibility, the government is required to submit a balanced budget when public debt exceeds the specified threshold. In a mechanical model-based scenario, the economic impact of balancing the budget depends on the technical assumptions regarding fiscal consolidation. We estimate that balancing the budget through equal reductions in public sector employment, intermediate consumption and public investment would lead to a 3.7% contraction in the economy in 2027. Employment would fall by 4.4%. The return of economic activity and employment to their potential levels would be only gradual. By 2030, the economy would still be approximately 3.6% below its potential.

We assume that the budget would be balanced entirely through expenditure-side measures. The government would be forced to significantly reduce public sector employment, intermediate consumption and investment. The scenario assumes that these three expenditure categories would contribute equally to fiscal consolidation. We do not consider reductions in public sector wages or cuts to social transfers.

In the first year, GDP would contract by 3.7% and employment would decline by 4.4%. Maintaining a balanced budget would require additional consolidation measures in subsequent years, primarily to offset the expiry of temporary measures (including the increase in health insurance contributions in place since 2024) and the expected rise in defence spending.

¹ Macroeconomic tax bases for budget revenues (indicator weights depend on the share of individual taxes in total tax and social contribution revenues): Wage bill (employment + nominal wages) – 55.9%; Nominal private consumption – 24.4%; Real private consumption – 4.2%; Nominal GDP growth – 10.6%; Real GDP growth – 4.9%.

Employees leaving the public sector (120,000 people) would gradually find employment in the private sector. However, we expect employment in 2030 to remain 90,000 people below the baseline scenario.

Chart I: A balanced budget would push the economy into recession (GDP at constant prices, index 2024 = 100; year-on-year growth, %)

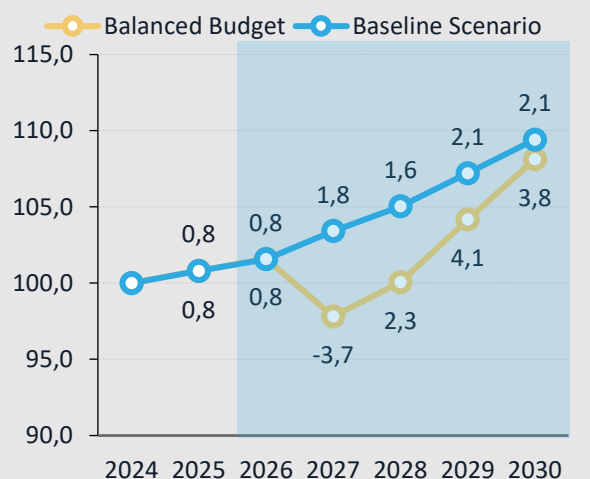
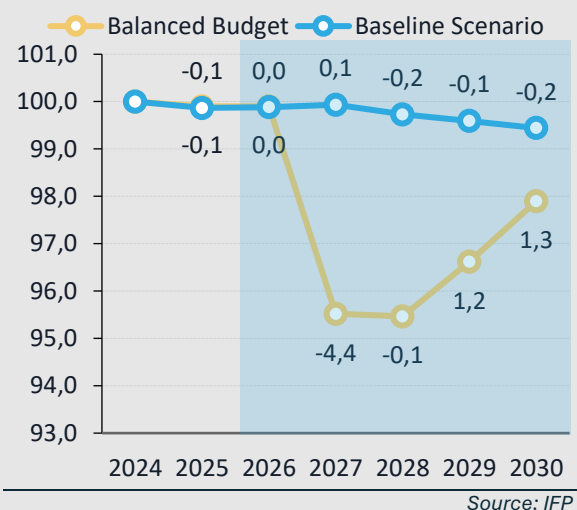


Chart J: Large-scale public sector layoffs would contribute to a sharp decline in employment (employment, index 2024 = 100; year-on-year growth, %)



MF SR Forecast – Main Economic Indicators (Sep. 2026)

Indicator (% growth unless otherwise stated)	2025	Forecast					Diff compared to Jun 2026				
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
GDP											
GDP. real	0,8	0,8	1,8	1,6	2,1	2,1	0,0	0,3	-0,3	-0,4	-0,2
GDP. nominal (bn €)	136,8	143,9	150,7	157,2	163,9	170,4	0,6	1,5	1,2	0,6	-0,1
GDP. nominal (growth)	5,0	5,3	4,7	4,3	4,3	4,0	0,5	0,5	-0,2	-0,4	-0,4
Private consumption. real	0,2	0,5	1,4	0,5	1,0	1,3	0,1	0,2	-0,5	-0,8	-0,9
Private consumption. nominal	4,4	4,3	4,3	4,2	3,2	3,1	0,1	0,4	0,0	-0,9	-1,5
Gov. consumption	1,1	0,6	0,7	-0,3	0,6	0,8	0,9	0,2	-0,6	-0,1	-1,1
Fixed investments	2,2	-0,1	-1,0	1,5	3,1	2,3	2,1	0,6	-1,2	-2,3	-0,1
Export of goods and services	4,0	3,1	4,2	3,3	2,8	2,6	1,4	0,0	0,0	0,0	0,0
Import of goods and services	3,7	3,2	3,3	2,6	2,4	2,2	2,2	0,0	-0,4	-0,6	-0,6
Labour Market											
Employment (statistical reporting)	-0,2	-0,1	0,1	-0,2	-0,1	-0,2	0,1	0,1	-0,1	0,0	-0,1
Nominal Wages	6,3	4,5	4,4	4,4	4,3	4,0	0,0	0,2	-0,3	-0,2	-0,2
Real Wages	2,2	0,8	1,4	0,0	2,0	1,9	0,2	0,0	-1,2	-0,2	-0,2
Unemployment rate	5,4	5,8	5,8	5,7	5,5	5,4	0,0	0,0	0,1	0,1	0,1
Inflation											
CPI	4,0	3,7	2,9	4,4	2,3	2,1	-0,2	0,2	0,9	0,0	0,0

Source: SO SR, IFP

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Recovery and Resilience Plan	46	243	853	1 880	2 218	346	226	61	45
Public Compensations	25	39	52	124	150	24	15	4	3
Public Intermediate Consumption	14	27	44	143	173	27	18	5	4
Public Investments	1	81	504	1 222	1 479	233	150	41	30
Social Transfers in Kind	2	2	4	0	0	0	0	0	0
Social Transfers	4	10	14	16	20	3	2	1	0
Private Compensations	0	1	2	14	17	3	2	0	0
Private Intermediate Consumption	1	1	2	16	19	3	2	1	0
Private Investments	0	27	92	205	248	39	25	7	5
Household Investments	0	56	140	140	112	13	12	2	1

Source: IFP